

**BY ORDER OF THE COMMANDER
AIR FORCE MATERIEL COMMAND**



AIR FORCE INSTRUCTION 65-201

AIR FORCE MATERIEL COMMAND

Supplement 1

13 APRIL 1998

Financial Management

MANAGEMENT CONTROL

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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AFI 65-201, 1 May 1997, is supplemented as follows:

This supplement does not apply to the Air National Guard or US Air Force Reserve units and members. This instruction implements AFI 65-201, Air Force Management Control (MC) Program. It provides additional guidance on evaluating, implementing, and reporting under the Air Force MC Program process. It describes the responsibilities of AFMC center OPRs and HQ AFMC functional OPRs. This instruction elaborates on AFMC's role in supporting the MC Program and is not intended as a stand-alone instruction. The reports relating to the MC Program have been assigned Report Control Symbol DD-Comp (AR) 1618.

SUMMARY OF REVISIONS

This supplement supersedes AFI 65-201/AFMC Sup 1 and provides updated terminology and instructions.

1.1. Introduction. Within AFMC, each responsible Commander, HQ AFMC Director, and Field Operating Agency (FOA) Commander are required to submit an annual statement of assurance to the AFMC Commander.

1.2. Objectives. With each AFMC, each responsible Commander, HQ AFMC Director and Field Operating Agency (FOA) Commander are required to submit an annual statement of assurance to the AFMC Commander.

Senior Responsible. The Director of Financial Management and Comptroller (HQ AFMC/FM) is the responsible official.

1.4. Director of Management Control. HQ AFMC/FMP will manage the MC Program.

1.5.1. Within AFMC responsible commanders, headquarters directors, and FOA commanders are primary reporting agents of the AFMC MC Program.

1.6. Field Operating Agency (FOA) Responsibilities. Product Centers, Air Force Research Laboratory (AFRL), Test Centers, Air Logistic Centers, Specialized Centers, FOAs, and HQ AFMC Directorate Responsibilities are to:

1.6.1. Bullets (Added).

- Prepare an annual statement, signed by each responsible commander, HQ AFMC Director, or FOA commander which states whether or not there is reasonable assurance that the objectives of the MC Program were met. These statements collectively form the AFMC Commander's Annual Statement of Assurance.

- Report progress and compliance on MC Program implementation and the status of material weakness corrective actions.

- Designate an OPR at each center, AFRL, FOA, and HQ AFMC Directorate to manage the MC Program. Additionally, functional organizations at Headquarters AFMC should appoint an OPR, who manages the MC Program in the respective organization. The HQ AFMC functional OPR also provides liaison with the center functional OPR and the Command Management Framework.

1.6.2. (Added) All managers (Commanders, Deputies, Civilian Supervisors, OICs, NCOICs, etc.) at every level of AFMC are responsible for their Internal Controls.

1.8. Functional OPR Responsibility. Center, AFRL, FOA, and HQ AFMC Directorate OPRs operate the AFMC MC Program for the responsible Commander by:

- Organizing and managing the AFMC MC Program according to Office Management and Budget (OMB) guidelines, DoD and USAF instructions, and AFMC direction.

- Providing necessary policy guidance, reference material, and instruction to field organizations to implement the AFMC MC Program.

- Establishing reporting requirements.

- Providing training on the MC Program goals, policies, and procedures.

- Reviewing follow-up reports and monitoring the status of AFMC material weaknesses.

- Ensuring a courtesy copy of identified material weaknesses is forwarded to appropriate headquarters functional OPR besides sending to HQ AFMC/FMP.

- Ensuring field organizations take corrective actions on material weaknesses.

- Preparing the responsible Commander's Annual Statement of Assurance as required by the AFD 65-2, *Management Control Program*, and AFI 65-201, *Management Control*, and the DoD 5010.38, *Management Control Program*.

1.9. (Added) HQ AFMC Functional OPRs. HQ AFMC Functional OPRs operate the AFMC MC Program for their functional area and provide interface with the Command Management Framework by:

- Organizing and managing the AFMC MC Program according to OMB guidelines, DoD and USAF instructions, and AFMC direction.

- Providing necessary policy guidance, reference material, and instruction to implement the AFMC MC Program.

- Establishing internal controls to meet the objectives of the MC Program.

- Ensuring corrective actions are taken on material weaknesses.
- Providing training on the MC Program goals, policies, and procedures.
- Evaluating the organization's internal controls annually to determine if they meet the objectives of the MC Program.
- Participating in SAF, DFAS, and any other external reviews and initiating follow-on actions.
- Reviewing oversight systems, e.g., audits, IG reports, etc., to determine if material weaknesses exist.
- Advising HQ AFMC/SC as the command Functional OPR for Automatic Data Processing (ADP) controls.

2.3.1. Within AFMC responsible commanders (center, AFRL, FOA and HQ AFMC directors shall establish and maintain an inventory of assessable units.

3.2.1. HQ AFMC/FMP will prepare the AFMC Statement of Assurance according to instructions received annually from SAF/FMP.

3.3.1. HQ AFMC/FM will issue an annual call letter or request information via E-mail, to all responsible commanders, providing supplemental instructions, as needed, for preparing the annual statement of assurance.

3.3.2. The statement will be addressed to AFMC/CC, but mailed to HQ AFMC/FMP. All statements are due by 5 August of each year.

3.3.4. The AFMC Commander chairs the Management Control Program (MCP) meeting. The meetings primary task is to review and approve proposed material weaknesses for inclusion in the AFMC Commander's Annual Statement and review current status of open material weaknesses and the MCP. The meeting is held quarterly during the fiscal year. Membership consists of applicable Chief Operating Officers (COO) and the Chief Financial Officer (CFO).

3.4.1. Include material weaknesses discovered during the evaluation. For each weakness provide a corrective action plan. (See **Attachment 3 (Added)** for guidance in identifying weaknesses and **Attachment 4 (Added)** for developing milestone action plans). Weaknesses reported after the annual statement submission will be considered for the current fiscal year if received in HQ AFMC/FMP by 1 September. If not received by 1 September the weakness will be reviewed for possible reporting in the next fiscal year. Weaknesses should be reported to HQ AFMC/FMP when discovered, not just during the annual reporting period.

4.3.2. HQ AFMC/FMP periodically will disseminate significant audit reports (or drafts) with potential weaknesses identified to affected primary elements. The primary element should review the audit and determine if a weakness exists and should be reported.

4.7.1. Center functional OPRs should accomplish a quality control check periodically during the fiscal year. Documentation should be maintained at the appropriate level.

4.8.1. Center MC Program OPRs should provide annual training to designated field organizations. HQ AFMC functional OPRs should also provide training within their designated organizations.

4.8.2. (Added) The HQ AFMC Program Manager is responsible for providing annual training or exchanges of program information and concepts through formal training, workshops, video teleconfer-

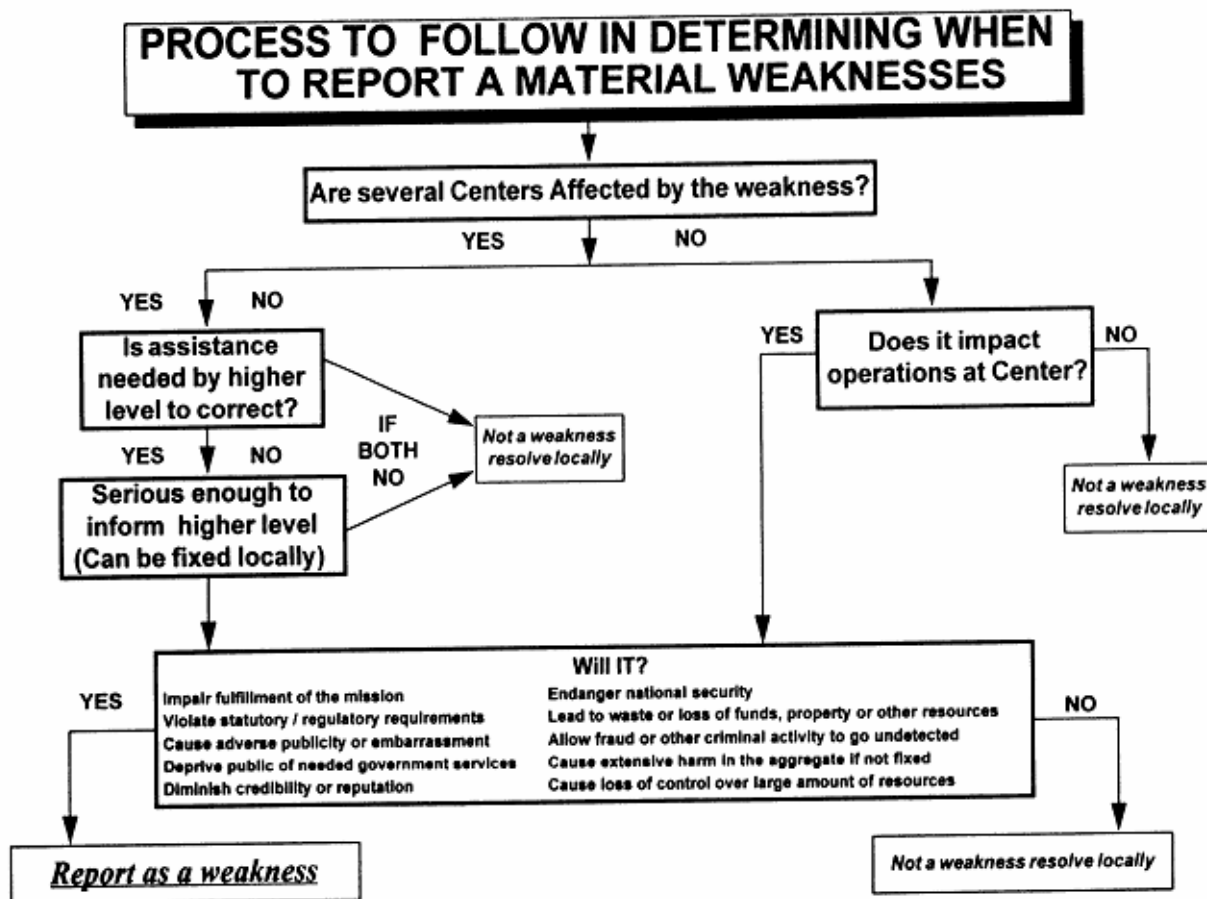
encing, (VTC), or correspondence as necessary to support Center OPRs, AFRL, FOA, and HQ AFMC Functional OPRs. Additionally, this training is offered to HQ AFMC directorates upon request.

References

NOTE: The AFMC/FMP MC Program manager can provide copies of documents referenced in this section to center OPRs and HQ AFMC functional OPRs. Additionally, center OPRs can provide field organizations copies of the same documents.

Attachment 3 (Added)

PROCESS TO FOLLOW IN DETERMINING WHEN TO REPORT A WEAKNESS

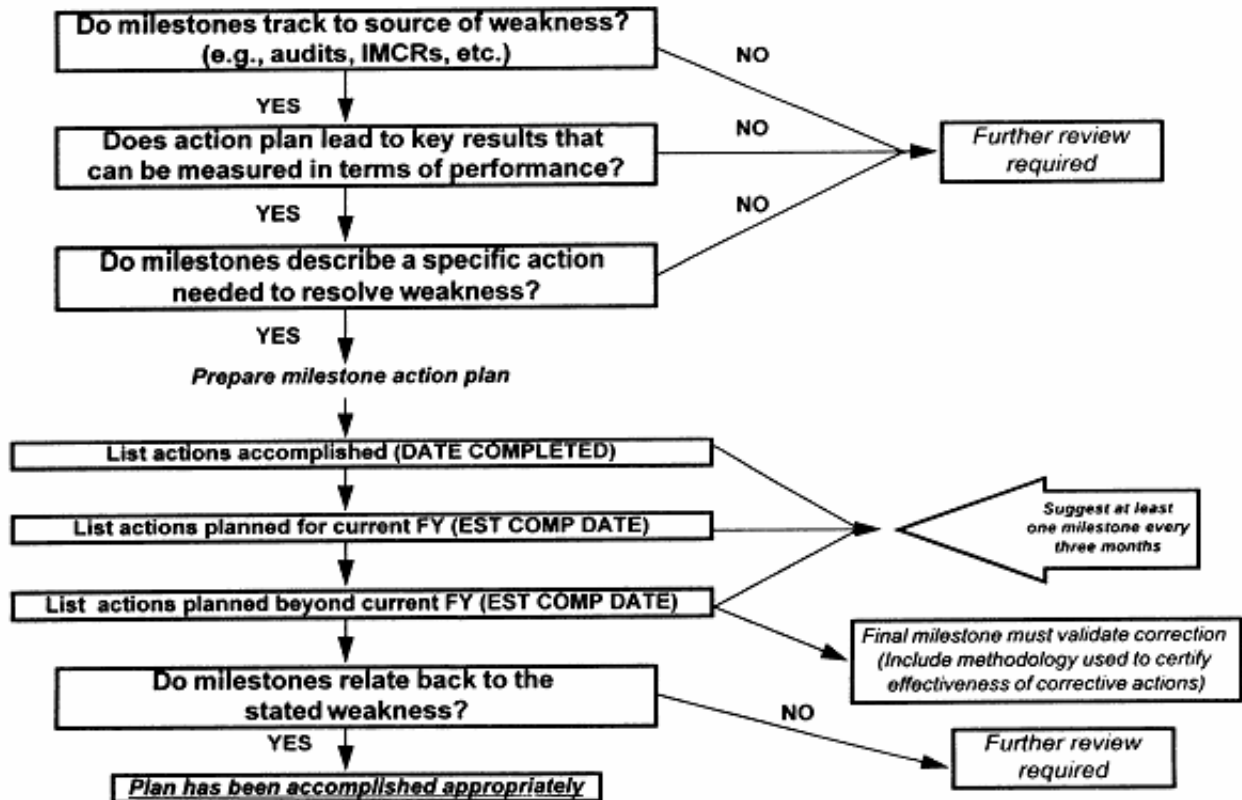


Note: If you get to the last step and the weakness impacts any of these areas it should be reported to the next higher level. A material weakness is usually a broken process caused by inappropriate controls or inadequate compliance with existing controls. Problems such as insufficient manning or lack of skilled labor are not considered material weaknesses reportable under the internal management control program.

Attachment 4 (Added)

STEPS FOR BUILDING WEAKNESS ACTION PLANS

STEPS FOR BUILDING MATERIAL WEAKNESS ACTION PLANS



Note: Final milestone verifies that the corrective actions achieved the desired results. Managers must consider the materiality of a weakness and the cost implications of actions to correct it. (e.g., what is the impact if not resolved?, what will be gained or lost if fixed / not fixed?) This flowchart is to assist you in developing your action plan.

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